



**FINANCE AND ADMINISTRATION CABINET  
DEPARTMENT FOR FACILITIES AND SUPPORT SERVICES**

**Matthew G. Bevin**  
Governor

**Division of Real Properties**  
403 Wapping Street, Suite 300  
Frankfort, Kentucky 40601-2638  
(502) 564-2205  
Fax: (502) 564-8108


**William M. Landrum III**  
Secretary

**Robert M. Burnside**  
Commissioner

**Scott Aubrey**  
Director

**MEMORANDUM**

**TO:** Katherine Halloran, Committee Staff Administrator  
Capital Projects and Bond Oversight Committee

**FROM:** Brien S. Hoover, Leasing Manager   
Division of Real Properties

**DATE:** April 4, 2018

**SUBJECT:** PR-5540, Jefferson County  
Department for Military Affairs  
Emergency Lease Agreement

As outlined, attached please find notification of an emergency lease agreement being processed by our division's Leased Properties Branch.

If you have questions or require additional information concerning this matter, please advise.

BSH/bh  
Attachment(s)

**Cc:** Capital Construction Log  
OSBD  
PR-5540 File  
BSH

**REPORT TO CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

**EMERGENCY LEASE AGREEMENT**

Lease No.: <b>PR-5540</b>		County: <b>Jefferson</b>	
Using Agency: <b>Department of Military Affairs</b>			
Lessor (identify all parties having 5% or more ownership): Attach extra sheet if necessary		<b>Louisville Underground LLC</b>	
Property Location: <b>1841 Taylor Avenue, Louisville, KY</b>			
Check One: <input checked="" type="checkbox"/> New Lease <input type="checkbox"/> Renewal <input type="checkbox"/> Modification			
Type Space: <b>Warehouse/Operations</b>		Cost Per Square Foot: <b>\$4.55</b>	
Annual Rental Cost: <b>\$198,816.80</b>		Average Cost Per Square Foot of Leased-In Space in County: <b>N/A (Please see attached)</b>	
Utilities Included: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Cancellation Clause:	<input checked="" type="checkbox"/> Yes If yes, explain terms: <b>30 Days</b>	<input type="checkbox"/> No If no, explain why not:	
Effective Date: <b>July 1, 2018</b>		Expiration Date: <b>June 30, 2023</b>	
Justification for Lease: <b>Please see attached</b>			
Has the Finance & Administration Cabinet complied with statutory requirements: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If no, explain:			
Explain why the Finance & Administration Cabinet chose this lessor (see attached approval memo and modification): <b>Please see attached</b>			



**DEPARTMENT OF MILITARY AFFAIRS**

**Matthew G. Bevin**  
Governor

100 Minuteman Parkway  
BNGC – EOC Building  
Frankfort, KY 40601-6168

**STEPHEN R. HOGAN**  
Major General, KYNG  
The Adjutant General

February 22, 2018

COL (R) William M. Landrum, III  
Secretary, Finance and Administration Cabinet  
Commonwealth of Kentucky  
Room 383, Capitol Annex  
Frankfort, KY 40601

RE: Emergency Lease Request  
123 Special Tactics Squadron (STS)  
Kentucky Air National Guard, Standiford Field  
1101 Grade Lane, Louisville, KY

Dear Secretary Landrum,

Recently Department of Defense, National Guard Bureau increased funding and manpower to substantially grow the STS unit in Kentucky due to the continued success of this unit and the positive impact they have on our national security. The Department of Military Affairs (DMA), on behalf of the Air National Guard requests your approval to pursue an emergency lease to relocate STS operations to a facility near the Standiford Field Air Base in Louisville, KY.


This lease would remain active for at least 5 and no more than 8 years based on the implementation of currently funded projects within the Kentucky Air National Guard Base. Once the Contingency Response Group (CRG) building is constructed and existing CRG space is renovated for the STS, we can relocate the STS to Standiford Field.

As a result of this unexpected increase in funding, equipment and manpower for this elite squadron I request permission for the Division of Real Properties to locate and negotiate temporary space for the Air National Guard, Special Tactics Squadron, pursuant to KRS 56.805, Section 3(d).

If you have any questions feel free to contact Joe Sanderson, Director of DMA Facilities or the undersigned.  
([joe.d.sanderson2.nfg@mail.mil](mailto:joe.d.sanderson2.nfg@mail.mil)) 502-607-6536)

Your support and assistance is greatly appreciated.

Cordially,

  
MG Stephen R. Hogan  
The Adjutant General

Copy: M. Jones  
J. Sanderson  
File

**COMMONWEALTH OF KENTUCKY LEASE AGREEMENT**

LEASE/PR #	PR-5540, Jefferson County	AGENCY	Department of Military Affairs
INITIAL ENCUMBRANCE	\$	DEPARTMENT	
ANNUAL ENCUMBRANCE	\$198,816.80	DATE	
VENDOR #	VC 0000021575	BUILDING CODE #	9041001

THIS LEASE, entered into between: **Louisville Underground LLC**, whose address is: **PO BOX 35174; Louisville; KY; 40232** (Business Phone: **502/235-9951**), his heirs and assigns, hereinafter called the "Lessor", and the COMMONWEALTH OF KENTUCKY, hereinafter referred to as the "Commonwealth";

WITNESSETH, that for the consideration hereinafter mentioned, the parties hereto agree as follows:

- 1a. The Lessor hereby leases to the Commonwealth and agrees to keep in quiet and peaceful possession the following described premises with its appurtenances; property located at **1841 TAYLOR AVENUE, LOUISVILLE, KY; 40213**, in the County of **Jefferson**.
- 1b. Said premises consisting of **43,696** square feet are to be rented at the cost of **\$4.55** per square foot and will be used by the Commonwealth for **Warehouse/Operations** space.
2. The Commonwealth agrees to pay rent to the Lessor for the leased premises at the rate of **\$49,704.20**, payable **Quarterly**. The Lessor shall provide the Commonwealth with the following services: **None**; with **Twelve (12)** parking spaces.
3. Subject to the limitations imposed by law and as provided in paragraphs 5 and 6 of this Lease, the term during which the Lease shall be effective shall begin **July 1, 2018**, and end **JUNE 30, 2019**.
4. This Lease shall be extended automatically upon the same terms and conditions herein for further periods of 12 months, not to exceed **Four (4)** extension period(s) unless the Commonwealth shall give the Lessor written notice **30** days prior to the expiration of the term or any extension that it will not be extended; no extension shall prolong the period of occupancy of the leased premises beyond the **30<sup>TH</sup>** day of **JUNE, 2023**. The Lessor understands that the Commonwealth's funds cannot be committed beyond its current fiscal year and its applicable appropriation, and the related allotment from rental payments will be made.
5. The Commonwealth shall have the further right to terminate this Lease at any time upon **30** days written notice, time to be computed from date of mailing notice; termination under this paragraph shall not be considered effective until the last day of the month in which the notice period ends.
6. The Commonwealth agrees not to assign this Lease, or to sublet the premises except to a desirable tenant and for a similar purpose, and will not permit the use of the premises by anyone other than the Commonwealth, the Federal Government, or such sub-lessee, and the agents and servants of the Commonwealth, the Federal Government, or such sub-lessee.
7. The Commonwealth shall have the right during the existence of this Lease to make alterations, attach fixtures and erect additional structures or signs in or upon the leased premises, provided such alterations, additions, structures or signs shall not be detrimental to or inconsistent with rights granted to other tenants on the property or in the building in which the premises are located. Fixtures, additions, structures or signs placed in or upon or attached to the premises shall remain the Commonwealth's property and may be removed by it prior to the termination of this Lease.
8. Unless otherwise specified, the Lessor shall maintain the premises in good repair and tenantable condition, including heating and/or air conditioning equipment, except in case of damage arising from the negligent acts of the Commonwealth's agents or employees. For the purpose of maintaining the premises and to make necessary repairs, the Lessor reserves the right to enter and inspect the premises at reasonable times.
9. The Commonwealth agrees to take good care of the premises and to return them at the expiration of their Lease in as good order as received, ordinary wear and tear and natural decay excepted.
10. The Lessor shall be responsible for procuring and continuously maintaining casualty and liability insurance on the leased premises.
11. If the premises are destroyed by fire or other casualty, this Lease shall immediately terminate. In case of partial destruction or damage so as to render the premises untenable, the Commonwealth may terminate or suspend this Lease by giving written notice to the Lessor within 15 days after such partial destruction or damage, and, if so suspended, no rent shall accrue to the Lessor after the date of such partial destruction or damage until such damage is repaired and premises are considered tenantable.
12. It is agreed by the parties hereto that if any one of the provisions of this Lease shall contravene or be invalid under the laws of the Commonwealth of Kentucky, such contravention or invalidity shall not invalidate the whole Lease, but it shall be construed as if not containing that particular provision or provisions, and the rights and obligations of the parties shall be construed accordingly.
13. The Lessor certifies by his signature hereinafter affixed that he ("he" is construed to mean "they" if more than one person is involved, and, if a firm, partnership, corporation, business trust or other organization is involved, then "he" is construed to mean any person with an interest therein) is legally entitled to enter into contracts with the Commonwealth of Kentucky and that by holding and performing this contract will not be violating either any conflict of interest statute (KRS 45A.330 - 45A.340 or 45A.990) of the Executive Branch Code of Ethics, KRS Chapter 11A, or any other applicable statute or principle by the performance of this Lease, or will he realize any unlawful benefit or gain directly or indirectly from it. The Lessor further certifies that he has not knowingly violated any provision of the campaign finance law of the Commonwealth, and that by entering into this Lease Agreement he will not be in violation of the campaign finance laws of the Commonwealth.
14. The Lessor agrees to notify the Commonwealth of all persons owning or upon any change or transfer of ownership involving 5% or more in stock, in partnership, business trust, or corporation, including silent or limited partners. Non-compliance may result in termination of the Lease Agreement.
15. Lessor shall comply with all standards set by the Department of Housing, Buildings and Construction, Division of Building Codes Enforcement, and that of the Kentucky Occupational Safety and Health Standards Board and the Americans with Disabilities Act (ADA).
16. The contractor, as defined in KRS 45A.030 (9) agrees that the contracting agency, the Finance and Administration Cabinet, the Auditor of Public Accounts, and the Legislative Research Commission, or their duly authorized representatives, shall have access to any books, documents, papers, records, or other evidence, which are directly pertinent to this contract for the purpose of financial audit or program review. Records and other prequalification information confidentially disclosed as part of the bid process shall not be deemed as directly pertinent to the contract and shall be exempt from disclosure as provided in KRS 61.878(1)(c). The contractor also recognizes that any books, documents, papers, records, or other evidence, received during a financial audit or program review shall be subject to the Kentucky Open Records Act, KRS 61.870 to 61.884. In the event of a dispute between the contractor and the contracting agency, Attorney General, or the Auditor of Public Accounts over documents that are eligible for production and review, the Finance and Administration Cabinet shall review the dispute and issue a determination, in accordance with Secretary's Order 11-004.

IN WITNESS WHEREOF, the parties hereto have subscribed their names:

STATE LEASING AGENCY REPRESENTATIVE	Date	LESSOR	Date
ANALYST, LEASING BRANCH, DIVISION OF REAL PROPERTIES	Date	ATTORNEY, FINANCE & ADMINISTRATION CABINET	Date
MANAGER, LEASING BRANCH, DIVISION OF REAL PROPERTIES	Date	DIRECTOR, DIVISION OF REAL PROPERTIES	

SECRETARY, FINANCE & ADMINISTRATION CABINET

Date

APPROVED THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_

When executed by the Secretary, Finance & Administration Cabinet, this instrument constitutes a finding and order, pursuant to KRS Chapters 45A and 58, that the leased property is needed for use by the Commonwealth of Kentucky. All correspondence and inquiries regarding this Lease are to be directed to the Division of Real Properties, Suite 300, 403 Wapping Street, Frankfort, Kentucky 40601-2607, phone 502/561-2205.

SGR

**FILE COPY**



**FINANCE AND ADMINISTRATION CABINET  
DEPARTMENT FOR FACILITIES AND SUPPORT SERVICES**

**Matthew G. Bevin**  
Governor

**Division of Real Properties**  
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**William M. Landrum III**  
Secretary

**Robert M. Burnside**  
Commissioner

**Scott Aubrey**  
Director

**MEMORANDUM**

**TO:** Scott Aubrey, Director  
Division of Real Properties

**FROM:** Brien S. Hoover, Leasing Manager  
Division of Real Properties

**DATE:** April 3, 2018

**SUBJECT:** PR-5540, Jefferson County  
Department of Military Affairs

The Department of Military Affairs recently submitted a request for warehouse/operations space for use by the Kentucky Air National Guard to accommodate additional staff and equipment associated with a thirty to fifty percent expansion of operational capacity for the 123<sup>rd</sup> Special Tactics Squadron. The request from the agency indicated a need for approximately 40,058 square feet of space. The Department certified that the requested space qualified for an emergency lease agreement pursuant to applicable provisions of KRS 56.805(3)(d). It is our understanding that the space will be utilized for a period of five to eight years based on implementation of projects to construct and/or renovate facilities located on the Air National Guard base located at Standiford Field. Further consultation with the agency indicated that the requested space should be located in proximity to Standiford Field, provide acceptable levels of security for agency equipment (i.e., physically separate space with appropriate access control), allow for temperature and humidity control to prevent static electricity and prevent mold growth, and provide ceiling heights of ten feet or greater for inspection of personnel and cargo parachutes.

Based on the aforementioned certification, and using publicly available information (e.g., LoopNet, Kentucky Commercial Real Estate Alliance), the Division of Real Properties identified ten potentially suitable warehouse and/or mixed use facilities. Further investigation of the various properties indicated that installation of supplemental climate control equipment would be required for all of the warehouse areas while one facility offered approximately 34,000 square feet of climate controlled space but would require use of freight elevators to access the climate controlled floors. A facility owned by Louisville Underground LLC located at 1841 Taylor Avenue offered appropriately sized space that satisfied all of the initial requirements (i.e., proximity, secured access, climate control, and extended ceiling heights) identified by the agency. A site evaluation was conducted with representatives from the Department of Military Affairs and the agency confirmed that the property is suitable for the proposed use. Negotiations with Louisville Underground LLC subsequently resulted in a proposal to lease 43,696 square feet of space at a rental rate of \$4.55 per square foot (\$198,816.80 annually), excluding utilities and janitorial services, with a term expiring June 30, 2023.



The Department of Military Affairs has recommended acceptance of the proposed facility at the terms described herein and the Division of Real Properties concurs based on the following considerations:

1. Notwithstanding the absence of appropriate climate control at the identified facilities, the average of the posted rental rates where available for each location is \$3.99 per square foot. The most comparable facility currently under lease by the Commonwealth provides similar space (i.e., climate controlled, secured access, and extended ceiling heights) at a rental rate of \$5.41 per square foot (reference PR-5200, Franklin County). As such, the proposed rental rate of \$4.55 per square foot is reasonable for space to support warehouse and operational uses.
2. The proposed five year lease term provides the agency with access to suitable space through the initial anticipated period of use and the lease may be renewed at the same terms for additional periods subject to the concurrence of the property owner.
3. The proposed lease provides for a July 1, 2018 effective date for sole use of space located in "building 7b" (i.e., the defined 43,696 square foot area) to allow for relocation of the current tenant. Subject to availability and mutual agreement of the property owner and the Department of Military Affairs, the proposed lessor has offered to provide access to temporary storage space, to provide loading/unloading services, and to transfer any materials placed in temporary storage to the defined leased premises at no additional cost to the Department. This will allow the Department to begin transferring material to the facility upon execution of the lease agreement and promote an orderly transition to permanent space. It is our understanding that personnel and equipment associated with the expansion of the 123<sup>rd</sup> Special Tactics Squadron are scheduled to begin arriving on or about April 1, 2018.
4. The proposed facility provides convenient access to Interstate 264, is located near the Interstate 264/65 interchange, and is approximately 3.4 miles from the Kentucky Air National Guard base located at 1101 Grade Lane. Estimated travel time is less than ten minutes which allows for the efficient transfer of material between each location as well as expedited retrieval if materials stored at the proposed facility are required for future deployments.
5. The Commonwealth enjoys an established relationship with the property owner via an existing lease for the Transportation Cabinet (reference PR-3974, Jefferson County) that dates to 1994 and they have generally demonstrated that they are responsive and responsible lessors.

The Department has expressed interest in adding restroom/shower facilities within the leased area and if requested that will be addressed in accordance with applicable provisions of KRS 56.813. Capital Projects and Bond Oversight Committee reporting is required for the proposed lease agreement pursuant to KRS 56.823. The required agency certification is attached for review and your approval of the proposed lease agreement is recommended to secure appropriate warehouse/operations space for benefit of the Department of Military Affairs.

BSH/bh  
Attachments

APPROVED: \_\_\_\_\_

  
Scott Aubrey, Director